

Chapter 6. Affordability of Public and Private Insurance Coverage

Introduction

Chapter 5 looked at access—are people eligible for public or private insurance? This chapter examines affordability: Is insurance available at a price affordable to those who are uninsured? We measure whether the family has income to pay the premium costs of available insurance options and expected out-of-pocket medical bills after taking into account resources required to pay for housing, food, and other necessities. (For an account of how this affordability analysis was conducted, see the Appendix A. Methodology. For a detailed analysis of the expenditures affecting a family’s ability to afford insurance, please see Research Deliverable 3.3. *Income Adequacy and the Affordability of Health Insurance in Washington State*.) The chapter examines which segments of the uninsured population we estimate can afford coverage, given the public or private options available to them. It also looks at how funding levels of public programs affect the proportion of the uninsured population with access to affordable coverage and how health status affects affordability. We also look at how subsidies for public or private insurance premiums might affect affordability. The chapter compares access to affordable coverage for uninsured children, parents, and childless adults. We also examine how relationships with the labor market and the availability of employment-based plans affect affordability.

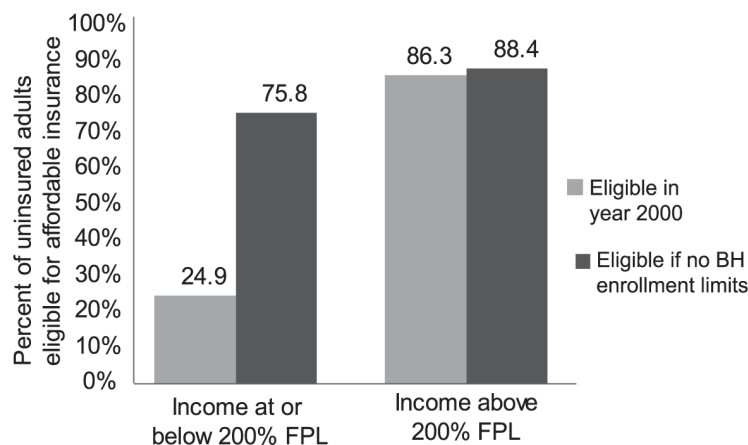
The affordability index does not tell us whether a family will actually purchase insurance, because it does not account for other family priorities, risk aversion, or attitudes about health insurance or health care. However, identifying groups that are most likely to lack affordable coverage should help in targeting insurance expansion policies.

Major Findings

Affordability of Insurance

- About one in four adults at or below 200 percent of the federal poverty level (FPL) has access to affordable public or private coverage. With the elimination of enrollment limits in Basic Health, three out of four adults would have access to affordable coverage.
- More than half of all uninsured adults lack access to affordable public or private insurance coverage, but only one in ten children lacks affordable access.
- A 50 percent premium subsidy to public or private insurance premiums would expand access to affordable insurance only slightly, suggesting that financial subsidies to purchase private insurance would have modest effects.
- Only four in ten childless adults have access to affordable insurance, but two-thirds of parents do.
- For most (80 percent) of those with access to employer coverage, coverage is affordable.

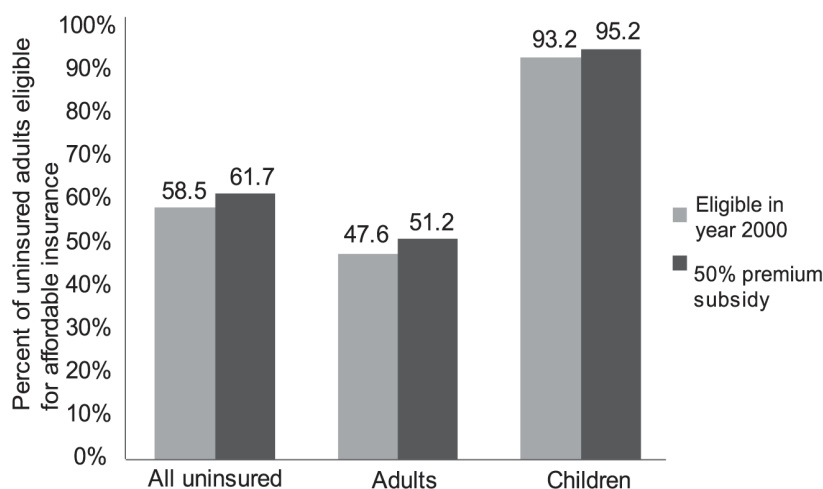
Figure 6-1. Eligibility for Affordable Public or Private Insurance Among Uninsured Adults by Income, Year 2000 and with no Basic Health Enrollment Limits



Source: 2000 Washington State Population Survey. Data refer to adults aged 19-64.

Access to affordable coverage varies by income, despite the existence of public insurance programs for the low income. Only one in four uninsured adults with income at or below 200 percent FPL has access to affordable insurance. This would substantially change with full funding of Basic Health that would make this program available to enrollment by all currently uninsured people at or below 200 percent FPL.

Figure 6-2. Eligibility for Affordable Public or Private Insurance, All Uninsured, Adults, and Children, Current and with 50 Percent Premium Subsidy, 2000

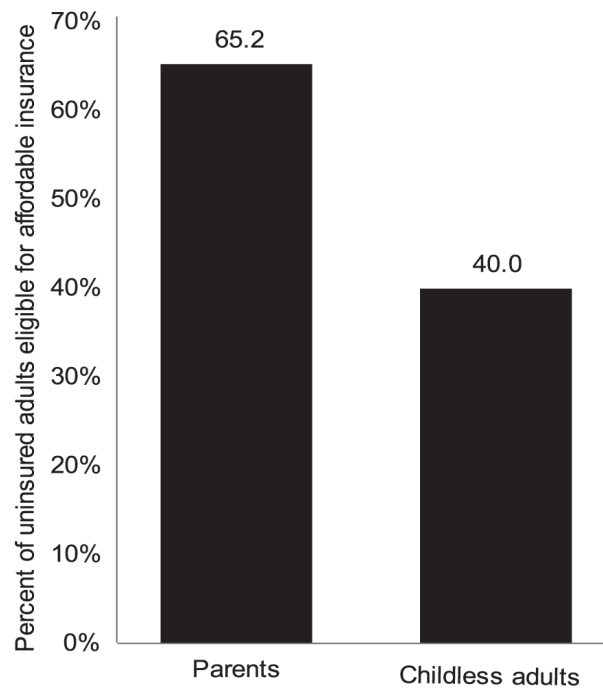


Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Overall about 60 percent of the uninsured are eligible for affordable coverage. However, this varies substantially between adults and children, because most children are eligible for public programs. Conversely, fewer than half of uninsured adults have access to affordable coverage. A 50 percent subsidy to the cost of private insurance would improve this only slightly.*

* Note: The 50 percent premium is assumed to apply to families' out-of-pocket premium payments irrespective of the source of their coverage (i.e., includes family share of employer coverage, families' payments for individual coverage, and families' premium payments to public programs). Public program premiums included all applicable Basic Health premiums. The affordability index was recalculated after all family premium payments were reduced by 50 percent.

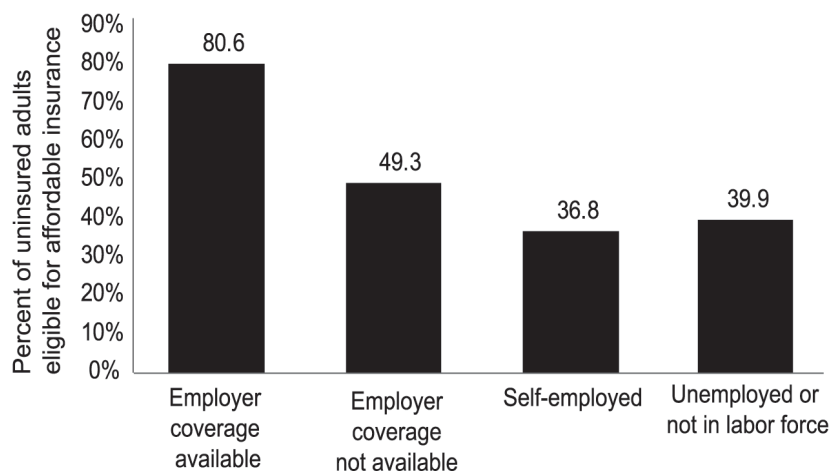
Figure 6-3. Eligibility for Affordable Public and Private Insurance Among Uninsured Parents and Childless Adults, 2000



Source: 2000 Washington State Population Survey. Data refer to adults aged 19-64.

Uninsured parents are more likely to have access to affordable coverage than are childless adults, in part due to public program eligibility rules.

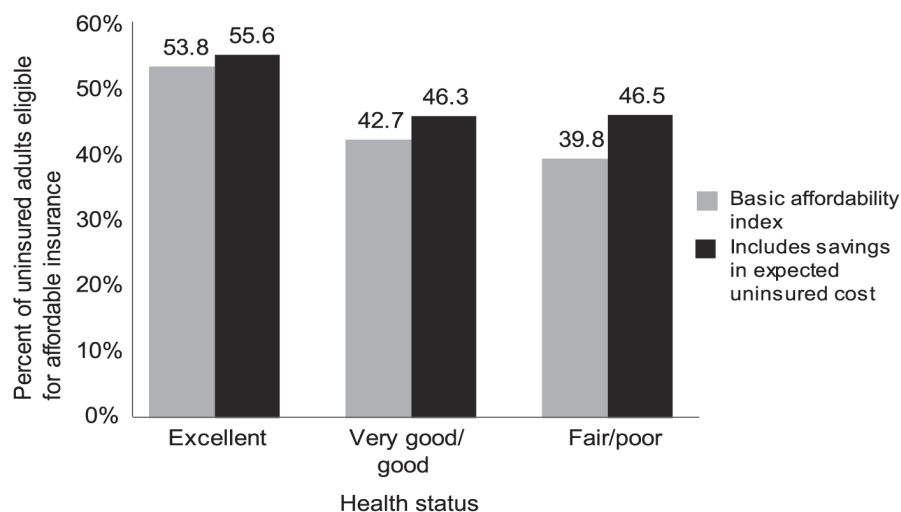
Figure 6-4. Eligibility for Affordable Public and Private Insurance Among Uninsured Adults by Type of Private Coverage Available, 2000



Source: 2000 Washington State Population Survey. Data refer to adults aged 19-64.

Most uninsured adults who have employer coverage available are likely to be able to afford the coverage. Half or fewer uninsured adults in other situations have access to affordable coverage. This is also true for the self-employed even though they are eligible for subsidies through the tax system.

Figure 6-5. Eligibility for Affordable Public or Private Insurance Among Uninsured Adults by Self-Reported Health Status, 2000



Source: 2000 Washington State Population Survey. Data refer to adults aged 19-64.

Uninsured adults in poor health are least likely to have access to affordable health care coverage. This reflects higher prices of insurance for the very high-risk cases, and higher expected out-of-pocket expenditures. However, the affordability index does not take into account that insurance coverage effectively lowers overall medical expenditures among covered individuals by absorbing some of the costs of care. When we factor in these savings to our index, differences by health status are diminished.

(See Appendix A. Methodology for additional information on how we adjusted the affordability index to take into account savings in out-of-pocket costs.)